

Cutright & Hardwick

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April 23, 2004

Honorable James H. Welsh
Commissioner of Conservation
Office of Conservation
Post Office Box 94275
Baton Rouge, LA 70804-4275

Re: **TEX W ZONE, RESERVOIR A**
CHANDELEUR SOUND BLOCK 38 FIELD
St. Bernard Parish, Louisiana

Dear Mr. Commissioner:

Application is hereby made on behalf of **Palace Operating Company** for the calling of a public hearing, after legal notice, to consider evidence relative to the issuance of an order covering the following matters pertaining to the TEX W Zone, Reservoir A, of the Chandeleur Sound Block 38 Field, St. Bernard Parish, Louisiana.

1. To establish rules and regulations governing the exploration for and production of gas and condensate from the TEX W Zone, Reservoir A, in the Chandeleur Sound Block 38 Field, St. Bernard Parish, Louisiana and to create a single drilling and production unit of approximately 531 acres, said unit to be designated TEX W RA SUA, as shown on the plat attached hereto and made a part hereof.
2. To force pool and integrate all separately owned tracts, mineral leases and other property interests within the proposed unit with each tract sharing in unit production on a surface acreage basis of participation.
3. To provide that any future wells drilled to the TEX W Zone, Reservoir A, in the Chandeleur Sound Block 38 Field, should be located in accordance with the spacing provisions of Statewide Order No. 29-E.
4. To provide that the Commissioner of Conservation should be authorized to reclassify the reservoir by supplemental order without the necessity of a public hearing should the producing characteristics of such reservoir change and evidence to justify such reclassification is submitted to and accepted by the Commissioner of Conservation.
5. To consider such other matters as may be pertinent.

In compliance with the Rules of Procedure for Conducting Hearings Before the Commissioner of Conservation of the State of Louisiana, a pre-application conference was held in Lafayette, Louisiana on April 21, 2004. Greg Dugas and James Taylor, representing the Louisiana Office of Mineral Resources attended the conference and James Hardwick representing the applicant discussed the proposed unit. As a result of discussions, the zone definition was expanded. The Office of Mineral Resources, as the sole landowner in the proposed unit, expressed no opposition to the application.

The TEX W Zone, Reservoir A, in the Chandeleur Sound Block 38 Field, St. Bernard Parish, Louisiana, is hereby defined as being that gas and condensate bearing zone encountered between the depths of 7,130 feet and 8,345 feet in the Manti Operating Co. - SL 17397 No. 2 well located in the Chandeleur Sound Block 31 Field, St. Bernard Parish Louisiana.

Attached hereto and made a part hereof is a plat showing the proposed unit. Also attached is a list of the names and addresses of the Interested Owners, Represented Parties, and Interested Parties to whom a copy of this application is being sent. Pursuant to the Revised Rules of Procedure, such a list of parties is being furnished only to the Commissioner of Conservation and the District Manager of the Lafayette District of the Office of Conservation; however, the list of parties will be furnished by the undersigned to any party requesting a copy of it. A reasonable effort was made to ascertain the names and addresses of all Interested Owners, Represented Parties, and Interested Parties.

Finally, enclosed is our check on behalf of the applicant, in the amount of \$755.00, made payable to the Office of Conservation representing the required hearing application fee.

Very truly yours,



James F. Hardwick

Enclosures

cc: Mr. Richard Hudson
District Manager, Lafayette District
Office of Conservation
825 Kaliste Saloom Road
Building 3, Suite 220
Lafayette, LA 70508

Interested Owners,
Represented Parties, and
Interested Parties

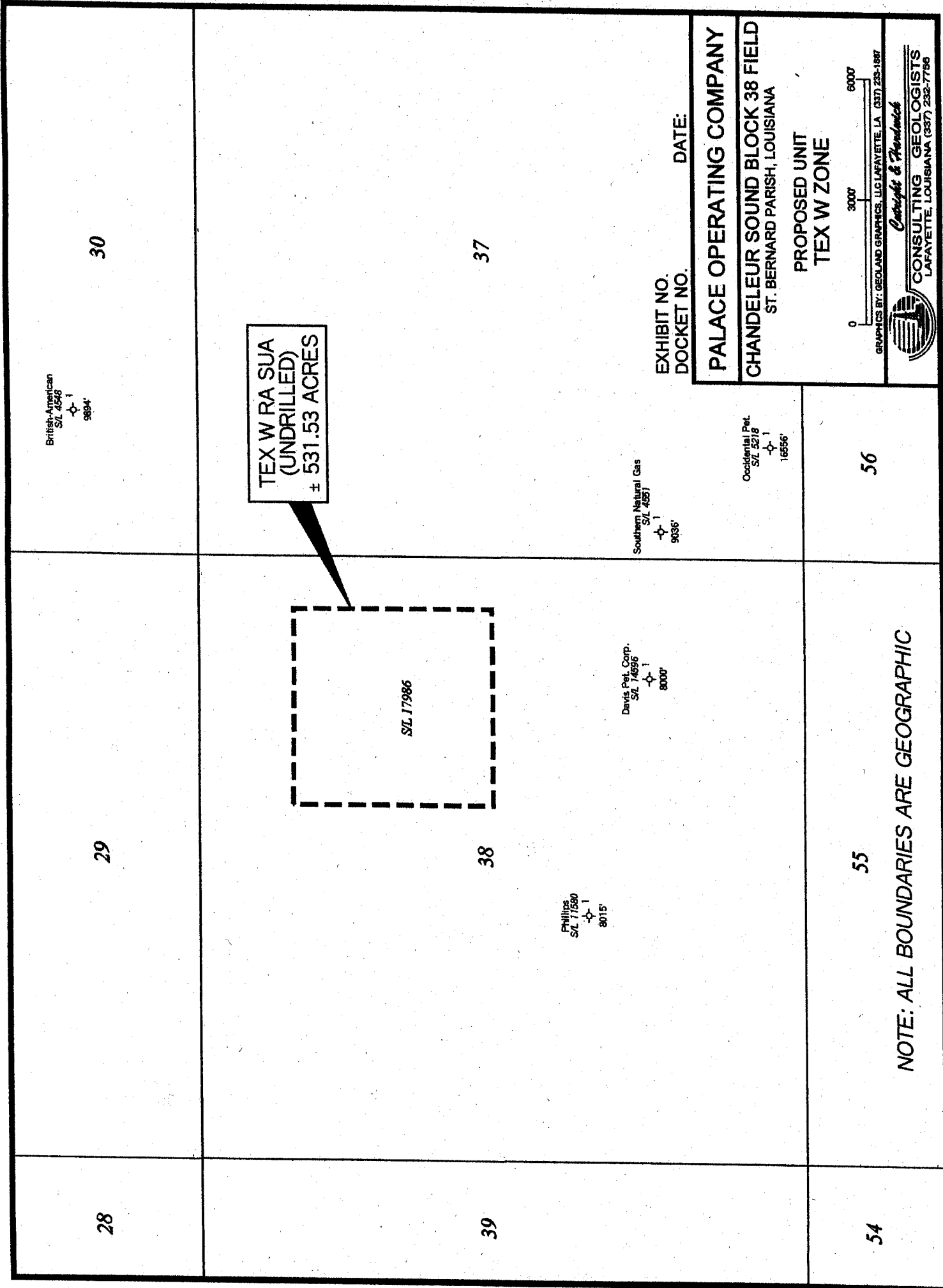


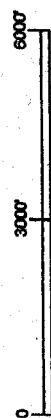
EXHIBIT NO.
DOCKET NO.

DATE:

PALACE OPERATING COMPANY

CHANDELEUR SOUND BLOCK 38 FIELD
ST. BERNARD PARISH, LOUISIANA

PROPOSED UNIT
TEX W ZONE



GRAPHICS BY: GEOLAND GRAPHICS, LLC LAFAYETTE, LA (337) 233-1887



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NOTE: ALL BOUNDARIES ARE GEOGRAPHIC